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271447Z Oct 05

ACTION AF-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DODE-00	ITCE-00	DOTE-00	DS-00	EAP-00	EB-00	EXME-00
	EUR-00	E-00	FAAE-00	UTED-00	VC-00	FRB-00	H-00
	TEDE-00	INR-00	LAB-01	VCE-00	M-00	AC-00	NEA-00
	NSAE-00	NSCE-00	OES-00	OMB-00	NIMA-00	EPAU-00	PM-00
	GIWI-00	ACE-00	SP-00	SSO-00	SS-00	STR-00	FMP-00
	BBG-00	EPAE-00	IIP-00	SCRS-00	PMB-00	DSCC-00	PRM-00
	DRL-00	G-00	NFAT-00	SAS-00	SWCI-00	/002W	

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FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC 2527
INFO AMEMBASSY ABUJA
AMEMBASSY LIBREVILLE
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY KHARTOUM
AMEMBASSY NIAMEY
AMEMBASSY YAOUNDE
DEPT OF TREASURY WASHDC
USDOC WASHDC
DOE WASHDC

UNCLAS NDJAMENA 001592

SIPDIS

SENSITIVE

DEPARTMENT FOR AF, AF/C, INR, DRL, EB; TREASURY FOR
OTA, SARA PAULSON; ENERGY FOR GPERSON AND CGAY; PARIS
AND LONDON FOR AFRICAWATCHERS

E.O. 12958: N/A

TAGS: [PREL](#) [PREF](#) [EFIN](#) [ECON](#) [EPET](#) [CD](#)

SUBJECT: CHAD: PRIME MINISTER ANNOUNCES PROPOSED OIL
REVENUE MANAGEMENT LAW CHANGES TO DONORS

REF: A) NDJAMENA 1560

[11.](#) (U) Summary: Prime Minister Pascal Yoadimnadji convoked the diplomatic corps and representatives of international organizations October 21 to announce that the Government of Chad (GOC) intended to submit a 2006 budget to the National Assembly which would reflect changes to the oil revenue management law. He asked international partners to work with the GOC on the proposed changes. End summary.

Exchange of views with donors prior to PM announcement

[12.](#) (U) At the invitation of the World Bank, Emboffs met on October 21 with World Bank Petroleum Sector adviser, Marie-Francoise Marie-Nelly, the German Charge, two members of the EC Mission and the local IMF Representative to exchange views before a meeting of the diplomatic corps with the Prime Minister on the oil revenue management law. A representative of the French Embassy was invited but reportedly declined to attend on the grounds that France was not able to provide a position a half an hour before the Prime Minister's meeting.

[13.](#) (SBU) Marie-Francoise Marie-Nelly briefly reviewed the situation, recalling that in response to the GOC request to make certain changes to the oil revenue management law, the Bank and the Fund had sent a joint response earlier in the month saying that it was premature to change the law (which had only been in effect since 2004) and stressing the need for the GOC to improve management of resources and budget discipline. She reported that the Prime Minister had called in the WB and the IMF again on 10/20 and had been very firm on the need to change the law. Marie-Francoise Marie-Nelly reiterated the Bank position, noting that Bank did not consider the law "immutable," but that any changes needed to follow an agreed-upon process.

[13.](#) (SBU) The EC rep suggested that the government needed money urgently to negotiate with army deserters in the east of the country. Although the EC did not support changes to the law right now, they recognized that the donor community had little room to maneuver. The German Charge stated that the situation facing the GOC was not one of unexpected, exogenous shocks and therefore drastic measures were not called for. Emboff supported the World Bank position and stated that changes to the oil revenue law would not solve the GOC budget problems. She stressed the importance of better

management of government resources, including a full response to the recent college report. Emboff noted the importance of transparent management of resources, the role of the college and the Fund for Future Generations.

Prime Minister Convenes Diplomatic Corps

14. (U) Shortly afterwards, Emboffs and other diplomatic representatives and representatives of international organizations gathered at the Foreign Ministry for a presentation by Prime Minister Pascal Yoadimnadj. PM Yoadimnadj stated that after long consultations with different sectors on the 2006 budget, the GOC thought it opportune to communicate its views to the international community. PM Yoadimnadj referred to the daily struggle of life in Chad, mentioning insecurity, inter-community strife, unpaid salaries, pensions and scholarships and mounting internal debt. The Prime Minister acknowledged that the government's management of resources could have been better, and mentioned as well the importance of fighting corruption (noting in passing the recent report of Transparency International). On this point, PM Yoadimnadj detailed actions that the GOC was taking

to combat corruption, including assembling a corps of financial inspectors.

15. (U) Turning to the oil revenue management law, PM Yoadimnadj stated that the law had turned out to be inadequate: the Fund for Future Generations (FFG) put money away which was needed for the current generation; the priority sectors should include public administration and security, the allocation to the Treasury needed to be increased from 15 to 30 percent. He noted that the public was increasingly frustrated by the lateness of salaries and pensions, as well as problems of security. Accordingly, the GOC proposed to revise the law to reflect the following:

-- Change to the FFG so that it can be used for infrastructure and needs of "the current youth."

-- Changes to the priority sectors to include security, territorial administration, and pay for the implementation of the recommendations of the Justice Ministry and Army reviews;

-- Increasing the amount destined to the treasury from 15-30 percent.

16. (U) PM Yoadimnadj stated that these changes would help to resolve problems of pensions and late salaries as well as contribute to planned reform of the military and of the justice system.

17. (U) The Prime Minister concluded by saying that for eight months the GOC had been discussing this issue with partners, and no solution had emerged. He stressed that the relationship with partners was one of cooperation. That being said, he had to stress that the people of Chad did not understand why more tangible benefits could not be seen from oil revenues. Therefore the GOC would propose a 2006 budget based on proposed changes to the oil revenue management law. In this process, PM Yoadimnadj stated "we hope that our partners will accompany us."

18. (SBU) Comment: The announcement of the proposed revisions was not unexpected, but the Government's intention to incorporate them into the 2006 budget is problematic. World Bank and IMF representatives here are working on potential resolutions to the GOC's cash-crunch to stave off attempts to revise the law precipitously.

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